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SUBJECT: EMBASSY MINSK WEEKLY POL/ECON REPORT - June 22, 2007

¶1. The following are brief items of interest compiled by Embassy Minsk.

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International Relations

¶2. South African Delegation Visits Belarus

On June 17, a group of representatives from South Africa's upper house of Parliament arrived in Minsk to discuss trade and cooperation with Belarus. The delegation met with their counterparts in the Belarusian Parliament, President Lukashenko, the Deputy Chairman of the Chamber of Commerce and Industry, as well as the head of the Academy of Science. The talks focused on production of synthetic fuels from Belarusian coal, as well as water purification and pharmaceutical manufacturing as possible projects for South African-Belarusian collaboration. Both parties have repeatedly cited the active involvement of both Belarus and South Africa in the Non-Aligned Movement as grounds for increasing

cooperation. An interstate commission for trade and economic cooperation between the two countries will begin operating in July.

Civil Society

13. Minsk Authorities Want to Remove Small Retail Kiosks

On June 19, independent media reported that the Minsk sanitary authorities are considering removal of all the private retail kiosks in the city citing the lack of sewer access and the kiosks "being an eyesore." Head of the Minsk city Center for Hygiene and Epidemiology Fedor Germanovich maintained that "order should always be both inside and outside the kiosk, and there is none at present." Retail kiosks are currently located only at bus stops. Small business and entrepreneurs associations criticized Germanovich's statements, and believe authorities are trying to shut down small retail trade network in Minsk. They also suggest the large grocery store chains supported the proposal, which will help them increase their revenues.

14. Interior Ministry Hosts Summer Camps for Disadvantaged Youth

On June 19, independent media reported that Interior Troops units opened 15 military summer camps to host more than 700 teenage boys, mostly from disadvantaged families. The camps are located throughout Belarus, and their declared curricula and activities include "spiritual, moral, historical, and patriotic" education for boys of pre-draft age, as well as training them for future military service.

Religion

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15. Judge Denies Deported Protestant Pastor's Appeal

On June 20, BelaPAN independent news agency reported that a Myadel District Court judge denied Polish Protestant Pastor Yaroslav Lukasik's appeal to challenge the GOB's annulment of his permanent residence permit and expulsion orders. Authorities forced Lukasik to return to Poland leaving behind his wife and three children as the BKGB accused him of conducting illegal religious activities, partaking in radical politicized activities, and residing in an area different from his official registered residence. Lukasik's wife stated that the judge had no valid grounds to deny the appeal since there was no proof of Lukasik 'being a threat to the national security of Belarus.' She also noted that the family appealed to a higher court in Minsk; however, the papers related to the case were lost. A police officer said "the incident is over" as expulsion orders can only be appealed within five days following the issuance. Lukasik's wife demanded the police find the papers and the court uphold her appeal.

16. Protestants Pray to Change Religious Law

On June 17, more than 500 Protestant communities across Belarus gathered at churches to conduct prayer services calling for changes in the religion law that they see as discriminatory against the Protestant congregations. Sergey Lukin, Protestant lawyer, explained that the Protestants wanted "to ask God to intervene in the dispute between the government and the Protestant communities." He also noted it was one of the largest events to protest the religion law and that more than 20,000 people have signed a petition to challenge the law since the signature collection campaign started on April 22. The objective of the campaign is to collect 50,000 signatures, and send the petition to the President, the Constitutional Court, and the Parliament. On June 15, according to independent media, 50,000 Belarusian Protestants throughout several denominations participated in a two-day fast following the GOB's arrest and fining of pastor Antony Bokun for holding an unauthorized prayer service.

17. Minsk Hosts Catholic Bishops' Conferences

On June 18, the General Secretaries of Catholic Bishops' Conferences of Europe concluded their four-day forum held in Minsk. It was the first time in the contemporary history of Belarus that the secretaries gathered in Minsk. Antoni Dziemianko, Secretary General

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of the Bishops' Conference of Belarus and the Apostolic Administrator, briefed his counterparts about the issues that the Roman Catholic communities face in Belarus, including difficulties with building new churches in large cities, and assistance granted to the Belarusian Roman Catholics who immigrated to the European Union. On June 15, the secretaries met with Metropolitan Philaret, Head of the Belarusian Orthodox Church. According to Dziemianko, Metropolitan warmly greeted the secretaries and asserted constructive dialogue, mutual respect, and amicable relations between the two Churches in Belarus.

Domestic Economy

18. Almost 19 Percent Retail Turnover Growth in Belarus

On June 19, a GOB official announced that retail turnover in Belarus came to USD 65.4 billion in the first five months of 2007, up 18.8 percent from the previous year. The portion of sales comprised by private retailers and foreign retailers rose .4 percent to 81.6 percent and 3.2 percent respectively, while the portion held by state-owned retailers fell .8 percent to 15.1 percent. Approximately 67 percent of turnover was through commercial organizations while the other 33 percent was by sole entrepreneurs, and 76.2 percent of retail sales were of Belarusian made goods. Retail sales growth for the whole year is projected at 9.5-10.5 percent.

19. Belarus' Industrial Output up 7.7 Percent

On June 18, a GOB official announced that Belarus' entire industrial output in the period of January to May 2007 amounted to over USD 16 billion, a growth of 7.7 percent from 2006. Individual industries which experienced output growth during this period included engineering and metalworking (up 12.6 percent), fuel (up 0.2 percent), chemical and petrochemical (up 17.5 percent), ferrous metallurgy (up 7.9 percent), construction materials (up 16.5 percent), woodworking and pulp-and-paper (up 9.3 percent) and light industry (up 3.5 percent). However, the output of electrical power industry decreased (down 9.2 percent) as well as the output of the food industry (down 4.2 percent). Profitability of goods sold also decreased during the first five months of 2007, down to 12.6 percent from 15.7 percent during the same period of 2006.

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International Trade

110. GOB Fails To Meet Export Surplus Goals

On June 19, PM Sergey Sidorskiy, during a session of the Council of Ministers, admitted a failure to reach an export surplus in Belarus, despite individual targets for the development of international trade set for each Ministry. Imports increased 22.1 percent to USD 8.2 billion while exports only grew 11.6 percent to USD 7.4 billion. He blamed insufficient production of consumer goods in Belarus for this failure and suggested that development of the canning industry could increase Belarus' exports. Sidorskiy characterized an export surplus as a precursor to economic reform and predicted that Belarus would achieve an export balance of trade by the end of the year. President Lukashenko has declared achievement of an export surplus to be a primary goal.

111. GOB Reports Half-Billion Dollar Energy Trade Deficit

On June 19, Economic Minister Nikolay Zaychenko reported to the Council of Ministers that Belarus imported USD 504.1 million more than it exported in foreign energy during the first four months of 2007. During the same period of 2006, Belarus' exports in this sector exceeded imports by USD 61.5 million. Contributing to this discrepancy is the USD 205.1 million decline in petrochemical exports between January-April 2006 and 2007, as well as USD 359 million increase in natural gas imports. Additionally, there were no exports of Belarusian crude oil during the period. The minister predicted an improvement in the foreign energy trade figures to come with the establishment of the Belarusian Oil Company and efficiency upgrades made by the petrochemical company Belneftekhim, as well as when Belarusian refining of Russian crude oil resumes in June.

Quote of the Week

¶12. During an interview on June 20, outgoing British Ambassador to Belarus Brian Bennett offered the following parting admonition to the GOB:

"Eventually Belarus will be a democratic country like its neighbors, and the only question is when that will happen. A sensible approach would be to move towards this kind of society as quickly as possible. People in the administration here should be thinking about how history will judge them, and at the moment I would imagine that the history's judgment would be rather harsh. But there's still time, and I leave here optimistic."

STEWART